



ANNUAL REPORT 1976

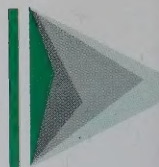
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**SUMMIT
RESOURCES
LIMITED**

INTERIM REPORT TO SHAREHOLDERS

SIX MONTHS ENDED MARCH 31, 1976



SUMMIT RESOURCES LIMITED

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

SIX MONTHS ENDED MARCH 31, 1976

1976 1975

Revenue		
Oil and gas, net of royalties	\$133,793	\$130,781
Investments	30,858	31,112
Rentals	25,198	22,294
Share of earnings of Western Thrift Financial Corporation	22,202	600
	<u>212,051</u>	<u>184,787</u>
Expenses		
Production	71,668	91,594
Rental and investment	29,468	21,987
General and administrative	19,962	33,122
Depreciation and depletion	54,218	57,639
	<u>175,316</u>	<u>204,342</u>
Income (loss) before income taxes	36,735	(19,555)
Deferred income taxes	30,250	5,600
NET INCOME (LOSS) FOR THE PERIOD	<u>\$ 6,435</u>	<u>\$(25,155)</u>
EARNINGS (LOSS) PER SHARE	<u>\$.01</u>	<u>\$(.02)</u>

Subject to Adjustments at Year End CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(unaudited)

SIX MONTHS ENDED MARCH 31, 1976

FUNDS DERIVED FROM 1976 1975

Operations	\$ 56,511	\$ 37,217
Deposits	500	—
Proceeds from sale of fixed assets	2,413	2,462
Reduction of mortgages and agreements	—	1,480
Proceeds from sale of investments	56,810	302,461
	<u>116,234</u>	<u>343,620</u>
FUNDS APPLIED TO		
Additions to property and equipment	63,643	75,527
Investment in shares of Western Thrift Financial Corp.	185,151	339,900
Reduction of long-term debt	3,021	3,328
Other	—	3,523
	<u>251,815</u>	<u>422,278</u>

DECREASE IN WORKING CAPITAL	(135,581)	(78,658)
WORKING CAPITAL AT BEGINNING OF PERIOD	366,077	360,375
WORKING CAPITAL AT END OF PERIOD	<u>\$230,496</u>	<u>\$281,717</u>

Subject to Adjustments at Year End

SEMI-ANNUAL REPORT TO THE SHAREHOLDERS

During the six months ending March 31, 1976, your Company continued its policy of initiating oil and gas exploration projects and having other companies evaluate them during the high risk stage. In the past year there have been considerable improvements in the economic climate in Alberta for independent oil and gas explorers such as Summit. Reduced royalty rates, incentive credits in the pre-drilling and drilling exploration stages have been instigated with pending changes in land regulations which should help the small independent, since the regulations are to be tailored to create a faster turnover of petroleum and natural gas leases through shorter lease tenure. New oil and gas prices are expected soon, a portion of which ultimately will make its way to the producer.

Because of these improved factors, your Company began to concentrate its efforts again in Canada, with particular emphasis being placed on oil and gas prospects in Southern and Central Alberta. During this six-month period, the Company acquired numerous small but prospective land holdings in Alberta. The Company has been successful in farming out two of these holdings, each of which has been drilled and show indications of producing natural gas. These wells are presently cased and awaiting further evaluation.

These two test wells are namely LWoody Summit Nevis 1-2-38-22 W4M and LWoody Summit Nevis 1.1-5-38-22 W4M. Further testing of these wells will be undertaken during May 1976 and their full potential evaluated for possible follow-up drilling. The Company will maintain a royalty interest during the payout of these wells, with a reversionary working interest to 45% and 22.5% respectively after payout. The Company is maintaining an active interest in Alberta by continuing its geologic subsurface studies, seismic evaluation with subsequent land acquisitions where feasible. This will hopefully result in more drilling activity for the Company in the months ahead.

As of April 1, 1976, Mr. W.W. Fitkin, who has been Executive Vice-President of the Company, has resigned but will act as an independent operator and contractor to the Company. We wish to acknowledge his major contribution to the Company over these past half-dozen years when he has acted as operations manager.

WESTERN THRIFT FINANCIAL CORPORATION and its wholly owned subsidiary, Western Thrift and Loan Association, continues to make significant progress. The financial results for this company are reported in Summit's financial statements on the equity method basis.

Since Western's year end is three months after Summit's year end, the results of Western's progress are not reported in Summit's statements until the year end of Summit which follows the most recent year end of Western. The following summary of Western Thrift and Loan Association's financial progress presents a more current basis and better understanding of the significant progress this Company is making. Summit continues to own 34% of the stock in Western. Your Company Directors and Officers are very optimistic about the future of Western Thrift Financial Corporation and Summit's investment in this fast growing enterprise.

	**Year Ending Dec. 31/73	Year Ending Dec. 31/74	Year Ending Dec. 31/75	Quarter Ending Mar. 31/76
Finance Receivables -	No. 1,811	5,029	8,010	9,161
	Amt. \$ 5,314,604	14,032,125	22,842,207	26,615,182
Unearned Finance Charges	694,734	1,825,811	2,972,595	3,560,448
Allowance for Doubtful A/C's	61,000	142,896	250,000	279,609
Bal. After Losses				
Total Assets	5,972,750	12,314,736	21,599,622	23,728,053
Thrift Deposits	No. 1,509	2,802	4,447	4,903
	Amt. \$ 5,122,956	10,746,722	19,536,664	21,379,879
Stockholders Equity	679,258	1,193,982	1,937,447	2,224,756
Profit (Loss) Before Taxes	(145,342)	5,824	165,465	135,273
Number of Branches	3	3	5	5
Number of Employees	17	23	41	45
Loan & Contract Volume -	No. 1,811	4,836	6,430	2,481
	Amt. \$ 5,800,000	15,486,000	22,538,000	8,827,000

* Unaudited

** The company commenced business January 1, 1973

May 18, 1976

On behalf of the Board of Directors
KENNETH A. WALLACE, President

Corporate Information

Officers	Chairman of the Board Ernest S. Rady President Kenneth A. Wallace Vice-President & Treasurer Thomas Z. Olenick Secretary Norman Edwards Assistant Secretary James S. Palmer Assistant Secretary Phyllis M. Klohn
Directors	Howard Carruthers, Kelowna, British Columbia Gerald L. Colborne, Toronto, Ontario Graham D. McLeod, Winnipeg, Manitoba Thomas Z. Olenick, Winnipeg, Manitoba Ernest S. Rady, San Diego, California Douglas G. Scott, Winnipeg, Manitoba Kenneth A. Wallace, Calgary, Alberta
Registered Offices	2705 Charter Towers, 614 - 5th Avenue S.W. Calgary, Alberta T2P 0M7
Bank	The Royal Bank of Canada Calgary, Alberta
Auditors	Thorne Riddell & Co. Calgary, Alberta
Registrar and Transfer Agent	Canada Trust Company Calgary, Alberta
Stock Exchange Listing	Alberta Stock Exchange

Report to Shareholders

On behalf of the Board of Directors, we are pleased to present the Annual Report of Summit Resources Limited for the year ended September 30, 1976.

Our exploration efforts during the past year have been focused on continuing exploration in the Province of Alberta. Subsurface studies, geophysical reviews and geophysical shooting has been undertaken on lands presently held by the Company and also on potential lands available for farmout. During the past year, the Company was instrumental in farming-out lands held in Alberta which resulted in two wells encountering natural gas. Testing to date has indicated one commercial well in which the Company holds a substantial interest. The second indicated gas well is not fully evaluated so that its true potential is not yet known.

The Company will continue its efforts to explore for oil and natural gas by initiating projects and farming them out during the high risk period of drilling.

The climate for investment in oil and gas exploration in Alberta has improved considerably over the past year due to favorable changes in taxation relative to individual participation in oil and gas exploration, and further increases in oil and gas prices. New and improved land regulations and drilling incentives have also sparked increased exploration activity.

Due to changes under The Alberta Companies Act, an Alberta Company requires a majority of directors to be Alberta residents. In view of this change, it is proposed that at the next Annual General Meeting, five directors instead of the present seven be elected. The five nominees are Ernest S. Rady, Kenneth A. Wallace, Gerald L. Colborne, Phyllis M. Klohn and Roy E. McLellan. Also, in view of this change, your Company would like to express sincere thanks and appreciation for all efforts extended on our behalf by Messrs. Carruthers, McLeod and Scott, who pending the election of the above nominees, will be stepping down from their present Directorship; with Mr. Carruthers and Mr. Scott remaining as honorary directors of the Company.

In addition the following comments apply to the company investments:

WESTERN THRIFT FINANCIAL CORPORATION and its wholly owned subsidiary, WESTERN THRIFT AND LOAN ASSOCIATION continues to make excellent progress through the first ten months of 1976. Receivables are up over twelve million dollars, to a total of over thirty-five million. Western now becomes the third largest Thrift and Loan Company in the State of California. Deposits have increased nearly eight million to a total of over twenty-seven million.

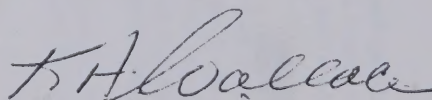
Credit losses and delinquencies remain substantially below industry levels.

All five branches are solidly in the black. Earnings are now flowing through at satisfactory levels. It appears, that return on investments for 1976 will be between twelve (12) and fourteen (14) percent (%).

Western Thrift's sixth branch office is scheduled for opening in the California Capital City of Sacramento on November 8, 1976. During the first quarter of 1977, the seventh office will be open in West Los Angeles County. 1976 has been an exceptionally satisfying year. We fully expect 1977 to be even better.

I would like to take the opportunity at this time to thank our shareholders, directors and staff for their efforts on our behalf during the past year, and hope for continued success in our endeavours.

ON BEHALF OF THE BOARD



K. A. Wallace
President

Current Exploration Projects

Alberta

Nevis Area, Alberta

The Company, in conjunction with partners, farmed out two separate parcels of land which, during the past year, culminated in drilling two Devonian reef tests. Although oil production was not encountered in this zone, the wells were completed as potential gas wells from Cretaceous sands. To date, one well has been confirmed as a Glauconitic gas well, in which the Company holds 45% working interest after payout.

The other well, in which the Company holds a 22.5% working interest after payout, is awaiting further testing and evaluation to determine its potential.

The Company has acquired acreage and options on lands lying in Twp. 38, Rge. 23, W4M. A test well will be undertaken by the Company in the fall of 1976 to test the Devonian potential. The Company hopes to maintain approximately a 30% working interest. If the initial test well is successful, follow-up drilling may be possible on lands under option.

Cadotte River Area, Alberta

The Company holds a 5% working interest in some 11,040 gross acres of petroleum and natural gas leases, and in conjunction with our partners have secured a commitment for a test well to be drilled in early 1977. The Company will retain an overriding royalty position until payout, converting to a 2½% working interest thereafter.

German North Sea

The Company, along with its partners having had an extension granted of the oil and gas exploration permit in the German sector of the North Sea, is attempting to farmout this 100,000 acres. The Company continues to hold a 4% working interest in this area.

Montana, U.S.A.

Ragged Point Area

The Company, continuing to hold a 37½% working interest, is attempting to negotiate for a well to be drilled on the properties.

Tule Creek Area

As a result of negative drilling results in this area, Summit and its partners have commenced the surrender of leases as they become due, thereby reducing our land holdings accordingly.

Willard Area

The Company continues to hold a 50% working interest in leases in this area, hopeful of obtaining key acreage upon the prospect which may subsequently result in some drilling activity.

Summary of Non-Producing Acreage

(as of September 30, 1976)

Working Interest

<u>AREA</u>	<u>GROSS ACRES</u>	<u>COMPANY'S NET ACRES</u>
Alberta	44,448	8,375
Saskatchewan	1,679	672
German North Sea	100,000	4,000
Montana	<u>18,661</u>	<u>5,489</u>
TOTAL	<u>164,788</u>	<u>18,536</u>

*Royalty Interest

Alberta	15,200	420
Saskatchewan	<u>1,160</u>	<u>22</u>
TOTAL	<u>16,360</u>	<u>442</u>
TOTAL ALL PROPERTIES	<u>181,148</u>	<u>18,978</u>

* A 1.0 per cent Royalty Interest is equivalent to a 3.0 per cent Working Interest.

Development

The following table shows the Company's participation in wells capable of production at September 30, 1976.

<u>Producing Wells</u> <u>Working Interest</u>	<u>Gross Wells</u>	<u>Net Wells</u>
Midale, Saskatchewan	2	1.65
Parkman	4	2.0
Hume	6	1.1
Weyburn	6	2.4
Wood River, Alberta	2	0.45
 <u>Royalty Interest</u>	 <u>Gross Wells</u>	 <u>% Royalty</u>
Parkman, Saskatchewan	2	12.5
	4	1.5
Lost Horse Hills	9	1.0
Elmore	5	1.5
Oungre	1	1.0
Chigwell, Alberta	3	1.4
Oberlin	1	2.0
Lait (suspended)	1	5.0
Nevis (shut-in gas)	2	15.0

The major reserves of the Company were evaluated by J. C. Sproule in June 1972 and are being continually updated on a regular basis by the engineers and accounting staff of the Company. These updated reserves estimated at September 30, 1976 are as follows:

<u>Estimated Reserves</u>	<u>Crude Oil</u>
Proven developed	505,960
Probable developed	327,000
Royalty Proven	91,943
Royalty Probable	23,000
TOTAL RESERVES	947,903 bbls.

The Company receives its major portion of production from wells in Saskatchewan, i.e. Parkman, Midale, Hume and North Weyburn, along with Wood River, Alberta. During the period under review the Company's oil production is as follows:

<u>Period</u>	<u>Net Production — after Royalty</u>
October 1, 1975 — September 30, 1976	38,846 bbls.

Summit Resources Limited

and subsidiary company

ASSETS

	1976	1975
CURRENT ASSETS		
Cash and term deposits	\$ 120,902	\$ 340,726
Accounts receivable	114,891	145,559
Prepaid expenses and supplies	21,828	17,746
	<u>257,621</u>	<u>504,031</u>
OTHER INVESTMENTS		
Marketable securities (note 2)	69,175	122,565
Investment in other companies (note 3)	1,084,742	681,780
	<u>1,153,917</u>	<u>804,345</u>
OTHER ASSETS, at cost		
Drilling and other deposits	<u>26,013</u>	<u>26,353</u>
FIXED ASSETS (note 4)		
Properties, buildings and equipment	2,102,676	1,994,766
Less accumulated depreciation and depletion	553,717	455,463
	<u>1,548,959</u>	<u>1,539,303</u>
	<u>\$2,986,510</u>	<u>\$2,874,032</u>

Auditors' Report

To the Shareholders of
Summit Resources Limited

We have examined the consolidated balance sheet of Summit Resources Limited and subsidiary company as at September 30, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For Summit Resources Limited and subsidiary of which we are the auditors and which are consolidated in these financial statements, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For investment in other companies accounted for by the equity method we have relied on the report of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
November 19, 1976

THORNE RIDDELL & CO.
Chartered Accountants

Consolidated Balance Sheet - September 30, 1976

(with comparative figures at September 30, 1975)

LIABILITIES		1976	1975
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 115,088	\$ 131,363
Advances by participants in drilling programs		42,400	-
Principal due within one year on long-term debt		6,600	6,000
		<u>164,088</u>	<u>137,363</u>
LONG-TERM DEBT			
6¾% Mortgage payable, maturing May 15, 1985		74,411	80,556
Less principal due within one year		6,600	6,000
		<u>67,811</u>	<u>74,556</u>
DEFERRED INCOME TAXES		<u>205,000</u>	<u>182,420</u>

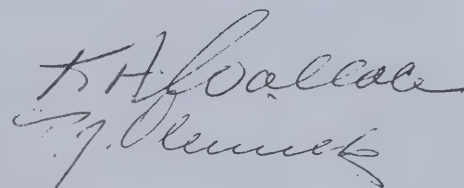
SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)			
Authorized			
200,000 5% Non-cumulative, non-voting, redeemable, convertible preference shares, par value \$1 each			
10,000,000 Common shares, no par value			
Issued			
1,000,920 Common shares		1,935,947	1,935,947
RETAINED EARNINGS		613,664	543,746
		<u>2,549,611</u>	<u>2,479,693</u>
		<u>\$2,986,510</u>	<u>\$2,874,032</u>

Approved by the Board

Director

Director



Summit Resources Limited

and subsidiary company

Consolidated Statement of Income

Year Ended September 30, 1976

	1976	1975
REVENUE		
Oil and gas sales	\$299,078	\$268,849
Rentals	51,140	45,082
Investments	45,652	59,771
	<u>395,870</u>	<u>373,702</u>
EXPENSES		
Production	79,339	77,505
Rental	28,297	31,190
Interest on long-term debt	5,160	5,556
Remuneration of directors, officers and employees	63,358	88,220
General and administrative	76,052	67,432
Depreciation and depletion	119,391	133,900
	<u>371,597</u>	<u>403,803</u>
OPERATING INCOME (LOSS)	24,273	(30,101)
SHARE OF INCOME		
Western Thrift Financial Corporation (note 3)	43,878	2,150
Income (loss) before income taxes	<u>68,151</u>	<u>(27,951)</u>
INCOME TAXES		
Provincial tax credits	(5,932)	-
Deferred	22,580	47,800
	<u>16,648</u>	<u>47,800</u>
INCOME (LOSS) FOR THE YEAR	<u>\$51,503</u>	<u>\$(75,751)</u>
INCOME (LOSS) PER COMMON SHARE	<u>\$0.05</u>	<u>\$(0.08)</u>

Summit Resources Limited

and subsidiary company

Consolidated Statement of Retained Earnings

Year Ended September 30, 1976

	1976	1975
RETAINED EARNINGS AT BEGINNING OF YEAR		
As previously reported	\$543,746	\$750,297
Adjustment for deferred income taxes	-	(130,800)
Adjustment for provincial tax credits	18,415	-
As restated	562,161	619,497
Income (loss) for the year	51,503	(75,751)
RETAINED EARNINGS AT END OF YEAR	<u>\$613,664</u>	<u>\$543,746</u>

Summit Resources Limited

and subsidiary company

Consolidated Statement of Changes in Financial Position

Year Ended September 30, 1976

	1976	1975
FUNDS WERE OBTAINED FROM		
Operations	\$152,045	\$ 95,927
Proceeds from sale of marketable securities	69,140	392,057
Reduction of mortgages and agreements	-	1,481
Proceeds from sale of fixed assets	7,192	4,415
	<u>228,377</u>	<u>493,880</u>
FUNDS WERE USED FOR		
Increase in investment in other companies	359,184	342,917
Purchase of fixed assets	135,583	138,406
Reduction of long-term debt	6,745	6,264
	<u>501,512</u>	<u>487,587</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(273,135)	6,293
WORKING CAPITAL AT BEGINNING OF YEAR	<u>366,668</u>	<u>360,375</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 93,533</u>	<u>\$366,668</u>

Summit Resources Limited

and subsidiary company

Notes to Consolidated Financial Statements

Year Ended September 30, 1976

1. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Summit Resources, Inc., a wholly-owned subsidiary.

During the year, a subsidiary, Geoscope Petroleum Consultants Ltd. was sold. As this subsidiary was inactive, there is no effect on the comparability of the consolidated statement of income.

Marketable securities

The Company is carrying its investment in marketable securities at cost less an allowance for decline in value.

Investment in other companies

The Company follows the equity method of accounting for its investment in Western Thrift Financial Corporation. Under this method the Company's investment is carried on the balance sheet at cost plus its share of the undistributed earnings.

All other investments are carried at cost.

Fixed assets

The Company and its subsidiary follow the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of both productive and unproductive drilling. Proceeds received on disposal of properties are credited against such costs.

Depletion of costs accumulated is provided using the composite unit of production method based on total proven reserves of gas and oil. Depreciation of petroleum equipment is provided on a diminishing balance basis at 30% per year.

Depreciation of rental properties and equipment is provided on a straight-line basis at 3% per year.

Summit Resources Limited

and subsidiary company

Notes to Consolidated Financial Statements (Continued)

Year Ended September 30, 1976

1. ACCOUNTING POLICIES (Continued)

Income taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, the Company makes full provision for income taxes deferred as the result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts.

2. MARKETABLE SECURITIES

	Number of Shares		Cost	
	1976	1975	1976	1975
United States company				
California Pacific				
Utilities Company	3,900	7,600	\$ 77,734	\$151,482
Canadian companies				
Union Gas Company	2,000	2,000	33,635	33,635
Canada Northwest Land Co.	-	1,940	-	5,335
			<u>33,635</u>	<u>38,970</u>
			111,369	190,452
Less allowance for decline in value			<u>42,194</u>	<u>67,887</u>
			<u>\$ 69,175</u>	<u>\$122,565</u>

The market value of the securities at September 30, 1976 was \$86,925 (1975 — \$138,200).

3. INVESTMENT IN OTHER COMPANIES

	Number of Shares		Carrying Value	
	1976	1975	1976	1975
Western Thrift Financial Corporation - Common	62,610	40,510	\$ 974,742	\$571,680
Memrad Holdings Ltd. - Preferred	4,000	4,000	40,000	40,000
Union Assets Ltd. - Preferred	700	700	70,000	70,000
Other			-	100
			<u>\$1,084,742</u>	<u>\$681,780</u>

Summit Resources Limited

and subsidiary company

Notes to Consolidated Financial Statements (Continued)

Year Ended September 30, 1976

3. INVESTMENT IN OTHER COMPANIES (Continued)

The Company's share of income of Western Thrift Financial Corporation from acquisition to December 31, 1975 is \$8,928.

Subsequent to September 30, 1976, the Company purchased an additional 5,600 common shares of Western Thrift Financial Corporation for \$100,800 (U.S.) which together with its previous holdings represent a 31.8% equity interest.

4. FIXED ASSETS

	<u>1976</u>		<u>1975</u>
		Accumulated Depreciation and Depletion *	
	<u>Cost</u>		<u>Net</u>
Petroleum			
Properties	\$1,673,920	\$329,043*	\$1,344,877
Equipment	222,048	162,485	59,563
	<u>1,895,968</u>	<u>491,528</u>	<u>1,404,440</u>
Rental operation			
Land	30,468	-	30,468
Buildings	165,952	57,971	107,981
Equipment	10,288	4,218	6,070
	<u>206,708</u>	<u>62,189</u>	<u>144,519</u>
	<u>\$2,102,676</u>	<u>\$553,717</u>	<u>\$1,548,959</u>
			<u>\$1,539,303</u>

5. EMPLOYEE STOCK OPTIONS

In January, 1975 the Shareholders approved the granting of Employee Stock Options comprising 41,000 shares, exercisable on or before January 31, 1978 at a price of \$2.75 per share of which 40% may be exercised in the first year and 20% in each subsequent year on a cumulative basis.

6. COMPARATIVE FIGURES

Certain changes have been made in the comparative figures for 1975 in order to conform with the presentation adopted in 1976.

